

## Crimson Metal Engineering Company Limited

August 26, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long -term Bank Facilities	10.70	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating*; Based on best available information
Short Term Bank Facilities	3.50	CARE A4 ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Issuer not cooperating*; Based on best available information
<b>Total Facilities</b>	<b>14.20</b> <b>(Rupees Fourteen crore and Twenty lakh only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 10, 2018, placed the rating(s) of Crimson Metal Engineering Company Limited (CME) under the 'Issuer non-cooperating' category as CME had failed to provide information for monitoring of the rating. CME continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated August 12, 2019, August 13, 2019, August 14, 2019 and August 20, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

### Detailed description of the key rating drivers

*The ratings assigned to the bank facilities of Crimson Metal Engineering Company Limited (CMECL) continue to remain strained by small scale of operations with low profitability margins, high gearing and weak debt coverage indicators and elongated operating cycle. The ratings also take into consideration declining total operating income. The ratings however continue to derive strength from experienced promoter and management*

### Key Rating Weakness

#### ***Small scale of operations with low profitability margins and cash accruals***

The scale of operations stood small at Rs. 10.08 crore in FY19. The PBILDT margin improved from 9.86% in FY17 to 11.81% in FY18 and further to 35.62% in FY19 respectively. The PAT margin stood thin at 1.76% and 1.19% in FY18 and FY19 respectively

#### ***High gearing and weak debt coverage indicators***

The overall gearing stood leveraged, however improved from 3.67x as of March 31, 2018 to 2.65x as of March 31, 2019. Total debt/GCA stood weak however improved from 11.85x in FY17 to 11.15x in FY18. The interest coverage ratio deteriorated to 0.02x in FY19 as against 1.76x in FY18.

#### ***Elongated operating cycle***

Operating cycle stood elongated at 246 days in FY19 mainly due to stretched collection days from 74 days in FY18 to 177 days FY19.

#### ***Declining total operating income***

The total operating income of the company is in declining trend over FY17-19. The TOI in FY17 declined from Rs 46.10 crore to Rs 33.38 crore in FY18 and further to Rs 10.08 crore in FY19.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

### **Key Rating Strengths**

#### ***Experienced promoter and management***

CMECL was promoted by Mr Vinay Kumar Goyal, a graduate, having over two decades of experience in the steel industry. He looks after the overall day-to-day affairs of the company with assistance from a board of directors who have experience of more than a decade in the industry

#### ***Liquidity Analysis***

The current ratio of CME remained above unity and remained comfortable at 2.93x as on March 31, 2019 mainly on account of high account receivable as compared to current liabilities.

**Analytical Approach:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios: Non-Financial sector](#)

#### **About the Company**

CMECL, formerly known as Sri Saarbati Steel Tubes Limited, was incorporated as a public limited company in February 1985 by Mr Vinay Kumar Goyal in Chennai. CMECL is engaged in manufacture of Electrical Resistance Welded (ERW) pipes and tubes like Black & GI pipes, GP coils, square & rectangular pipes, etc. Mr Vinay Kumar Goyal, is a graduate, having over two decades of experience in steel industry. He looks after the overall day-to-day affairs of the company with assistance from a board of Directors who have experience of more than a decade in the industry. In FY19, CME reported a net profit of Rs. 0.12 crore on a total operating income (TOI) of Rs.10.08 crore, as against net profit and TOI of Rs.0.59 crore and Rs.33.38 crore respectively, in FY18.

<b>Brief Financials (Rs. crore)</b>	<b>FY18(A)</b>	<b>FY19(A)</b>
Total operating income	33.38	10.08
PBILDT	3.94	3.59
PAT	0.59	0.12
Overall gearing (times)	3.67	2.65
Interest coverage (times)	1.76	0.02

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

## Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	July 2019	0.70	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	3.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B; ISSUER NOT COOPERATING* (23-May-17)	-
2.	Fund-based - LT-Term Loan	LT	0.70	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B; ISSUER NOT COOPERATING* (23-May-17)	-
3.	Non-fund-based - ST-Letter of credit	ST	3.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (23-May-17)	-

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**